

## **KENTUCKY HEALTH BENEFIT EXCHANGE ADVISORY BOARD**

### **QUALIFIED HEALTH PLANS SUBCOMMITTEE**

#### **Meeting Minutes**

**December 20, 2012**

#### **Call to Order and Roll Call**

The fourth meeting of the Qualified Health Plans Subcommittee was held on Thursday, December 20, 2012, at 11:30 a.m. in the Small Conference Room at the Office of the Kentucky Health Benefit Exchange. Deborah Moessner, Chair, called the meeting to order at 11:30 a.m., and the Secretary called the roll.

Subcommittee Members Present: Deborah Moessner, Chair; Jeffrey Bringardner, Julia Costich, Dr. Joe Ellis, Carl Felix, Nancy Galvagni, Shelley Gast (by phone), Donna Ghobadi, Dr. Michael Huang, Dr. Amanda Howell (by phone), Bob McFalls, Ramona Osborne, and Joe Smith. Greg Baker, Ruth Brinkley, Shelley Gast, Mike Minor, and Dr. Andrew Slavik were not present at the meeting.

Staff Present: Lee Barnard, Sharron Burton (DOI), Reina Diaz-Dempsey, Miriam Fordham, Wanda Fowler, Bill Nold, Brenda Parker, Vanessa Petrey, Sherilyn Redmon, Melea Rivera, Gary Smith, and D.J. Wasson (DOI).

#### **Approval of Minutes**

A motion was made to accept the minutes of the November 15, 2012, meeting as submitted, seconded, and approved by voice vote.

#### **Addition of New Member**

Chairman Moessner announced that Nicholas D'Andrea joined the subcommittee.

#### **Update on Exchange Activities**

Bill Nold, Deputy Executive Director, Office of the Kentucky Health Benefit Exchange (KHBE), reported that the KHBE submitted Kentucky's Exchange Blueprint application to establish a State-based Exchange on November 16, 2012, to the Department of Health and Human Services (HHS) and received conditional approval from HHS to establish a State-based Exchange on December 14, 2012. One item that will need to be addressed in meeting the conditions for full approval involving the subcommittee is the state's plan to have qualified health plans (QHP) on the Exchange and available by the open enrollment period which begins October 1, 2013. Mr. Nold also advised the subcommittee that the KHBE was working with HHS to make a copy of the Blueprint application available on the KHBE website in response to requests for copies of the Kentucky Blueprint application.

## **Discussion of Proposed Federal Rules**

KHBE and Department of Insurance (DOI) staff provided an overview of the proposed federal rules released by the Department of Health and Human Services regarding essential health benefits, wellness programs, and market rules. Melea Rivera, Office of the Kentucky Health Benefit Exchange, highlighted some of the differences between the previous federal guidance and the newly released rules regarding essential health benefits (EHB). Ms. Rivera noted that under the new proposed rules the actuarial value of the qualified health plan metal levels may vary by two percent such that, for example, the actuarial value of a bronze level plan may vary from 58 percent to 62 percent. Also, there was further guidance on cost limitations and deductibles for catastrophic plans, the minimum essential value for employer sponsored plans, accreditation of QHPs, and dental plans. Mr. Nold noted that HHS erroneously reported some items regarding Kentucky's EHB recommendation and the DOI staff is working to make the correction with HHS which will then appear in the final rule. Regarding the proposed rules for wellness programs, Mr. Nold noted that the wellness programs must not be discriminatory, there would be a decreased premium cost if an individual remains compliant with the wellness program, and smoking cessation was a strong component.

Under the new market rules, health insurance premiums may only be rated on age (within a 3:1 ratio for adults), tobacco use (within a 1.5:1 ratio), family size, and geography. Mr. Nold noted that states have some flexibility in the implementation of the provisions, but they must notify the Centers for Medicare and Medicaid Services (CMS) if they plan to choose another option. D. J. Wasson, DOI, noted that the DOI, in consultation with its actuaries, was looking at various issues regarding the proposed market rules including whether to follow the HHS proposals regarding the use of a single age band, exercising the option of varying the tobacco use rating factor, and using a composite family rate rather than looking at each individual family member. Ms. Wasson stated that the DOI was seeking input from insurers regarding these issues. The DOI will provide a template of recommendations it has developed to insurers and seek comment on the recommendations.

Under the proposed rules, states would have no more than seven rating areas. Mr. Nold noted that Kentucky currently uses the eight Medicaid regions as the rating areas for the state. DOI recommends maintaining the eight rating regions to maintain consistency and stability in the market. Kentucky will have to submit a justification to HHS for the use of the eight Medicaid regions. HHS has issued a decision that an issuer can offer a plan on a regional basis, but the plan has to be reviewed and approved by the Exchange. The Exchange is proposing that no plans be offered on less than a Medicaid regional basis.

The proposed rules require health insurance issuers to maintain a single statewide risk pool for each of their individual and small group markets. States have the option of merging their individual and small group pools into one pool. Mr. Nold stated that the Exchange is not planning to combine the individual and small group risk pools.

Some members expressed concern that there would not be ample time to submit comments to the DOI and HHS regarding the proposed federal rules given that the public comment period would end on December 26, 2012. D. J. Wasson clarified that although the public comment period for the proposed rules will end on December 26, 2012, the DOI has 30 days from publication of the

final rule to make recommendations regarding state options to exercise flexibility regarding the market rules. The DOI anticipated that the final rules would be issued sometime in January 2013.

The subcommittee also discussed issues related to the offering of qualified health plans inside and outside of the Exchange. Mr. Nold stated that after a review of federal regulations by both KHBE and DOI staff, the consensus finding was that there is no legal requirement that an issuer offer plans outside the Exchange if the issuer offers plans inside the Exchange. Nancy Galvagni put forth a recommendation that the Exchange require that if an issuer offers statewide coverage on the Exchange, then the issuer should be required to offer coverage statewide inside the Exchange. Jeff Bringardner noted that the Exchange would need to maintain flexibility. Mr. Nold advised the subcommittee that the issues also had implications for the QHP certification regulation being drafted by the KHBE. After some discussion, the subcommittee noted that the issues were complex and more indepth review was needed as to how issuers participate and offer products on the Exchange. A task force of subcommittee members to include Chairman Moessner, Jeff Bringardner, Julia Costich, Nick D'Andrea, Carl Felix, Nancy Galvagni, and Ramona Osborne was formed to have further discussions on the issues.

### **Dental Issues**

Dr. Joe Ellis briefed the subcommittee on issues raised by the Dental/Vision Subcommittee regarding offerings of dental benefits by QHPs and how dental benefits will be offered on the Exchange. Stand-alone dental plans must be allowed to be offered in the Exchange, which means that a QHP may or may not have embedded pediatric dental benefits. Therefore, a QHP without embedded pediatric dental benefits can still be certified as a QHP. Plans offered outside of the Exchange must offer embedded pediatric dental and vision benefits. Outside of the Exchange, QHPs do not have the option of offering plans without the required pediatric dental and vision services and rely on stand-alone plans, as do plans offered in the Exchange. Members noted that the offering of dental benefits raised a number of issues including the effect of embedded dental benefits on the actuarial value of the QHP, opportunities raised for adverse selection, and the maintenance of parity in dental benefits offered inside and outside of the Exchange. Dr. Ellis advised the subcommittee members that the Dental/Vision subcommittee had formed a task force of its subcommittee members to address the issues raised. The QHP subcommittee will work with a task force from the Dental/Vision subcommittee on the issues relating to dental benefits and QHPs.

### **Other Business**

The next meeting of the subcommittee will be held on January 24, 2013, at 11:30 a.m. at the Office of the Kentucky Health Benefit Exchange.

### **Adjournment**

The meeting adjourned at 1:00 p.m.